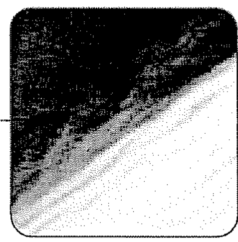
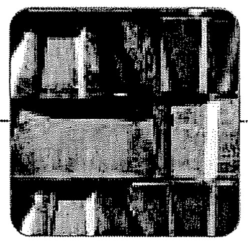
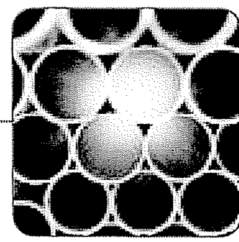
**EXHIBIT 12**

# Kaiser Aluminum







2000 ANNUAL REPORT

## ABOUT OUR BUSINESS

Kaiser Aluminum Corporation, (NYSE:KLU), operating through its subsidiary Kaiser Aluminum & Chemical Corporation, is a leading producer of alumina, primary aluminum, and fabricated aluminum products.

The company has 20 major manufacturing facilities located in North America, Australia, Jamaica, Ghana, and Wales. In 2000, it had approximately 7,800 employees. At year-end 2000, MAXXAM Inc. (AMEX:MXM) directly and indirectly owned about 63% of the common stock of Kaiser Aluminum Corporation.

Kaiser Aluminum Corporation and Subsidiary Companies

## FINANCIAL HIGHLIGHTS

*(in millions of dollars, except per share and per pound amounts)*

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Net sales | $ 2,169.8 | $ 2,083.6 | $ 2,302.4 |
| Labor settlement charge | $ (38.5) | $ - | $ - |
| Other non-recurring operating items, net | $ 80.4 | $ (24.1) | $ (105.0) |
| Operating income (loss) | $ 139.3 | $ (28.9) | $ 90.6 |
| Gain on involuntary conversion at Gramercy | - | $ 85.0 | - |
| Net income (loss) | $ 16.8 | $ (54.1) | $ .6 |
| Basic earnings (loss) per share | $ .21 | $ (.68) | $ .01 |
| Customer shipments (000 metric tons*): | | | |
| Alumina | 1,927.1 | 2093.9 | 2,250.0 |
| Primary aluminum | 345.5 | 295.6 | 263.2 |
| Flat-Rolled Products | 162.3 | 217.9 | 235.6 |
| Engineered Products | 164.6 | 171.1 | 169.4 |
| Primary aluminum average realized sales price, per pound | $ .74 | $ .66 | $ .67 |

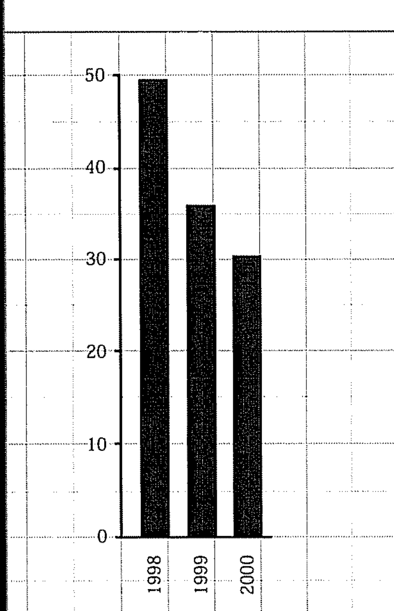
*All references to tonnes in this annual report refer to metric tonnes of 2,204.6 pounds.

This annual report to stockholders contains forward-looking statements that are subject to risks and uncertainties which could cause actual results to differ materially. The financial information contained in this document (commencing on page 13) and the company's Annual Report on Form 10-K describe various factors which could cause actual results to vary from such forward-looking statements.

**TO OUR STOCKHOLDERS**

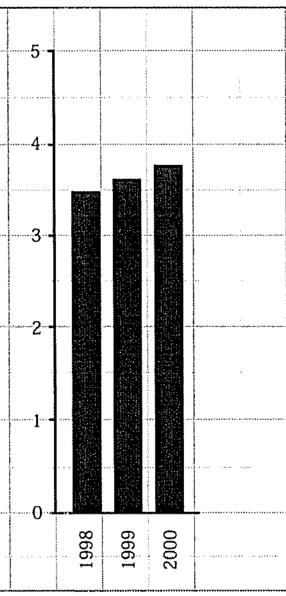
Despite the many challenges of 2000, Kaiser Aluminum resolved a number of issues, drove performance improvement, and established a much more solid base from which to work as we look to the future.

First, a quick recap of our financial results — earnings improved in 2000 due to the favorable net impact of power sales combined with sound operating performance. In alumina, we enjoyed a 19% increase in average realized prices along with record-breaking performance at 28.3%-owned QAL and solid performance at 65%-owned Alpart. In primary aluminum, we experienced a 12% increase in average realized prices, record-breaking performance at our Mead, Washington, smelter prior to its curtailment, and improving performance at the 90%-owned Valco smelter. The significant performance improvement enjoyed in our fabricating business was offset by a slowing ground transportation market. All of our business units experienced higher energy costs during the year.



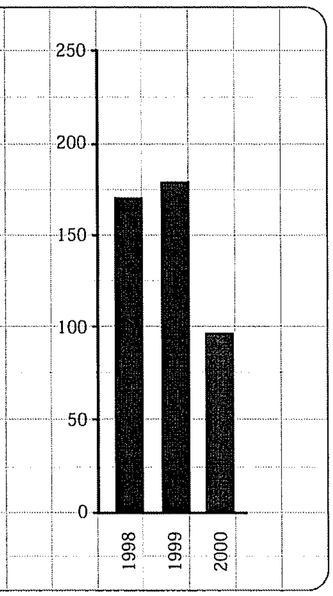

Lean Manufacturing Continued to Reduce Inventories in Engineered Products

(average days inventory on hand)




Alumina Production at QAL Set a New Record

(in millions of metric tonnes)




The Flat-Rolled Products Business Generated Cash through Inventory Reduction

(year-end inventory in millions of dollars)

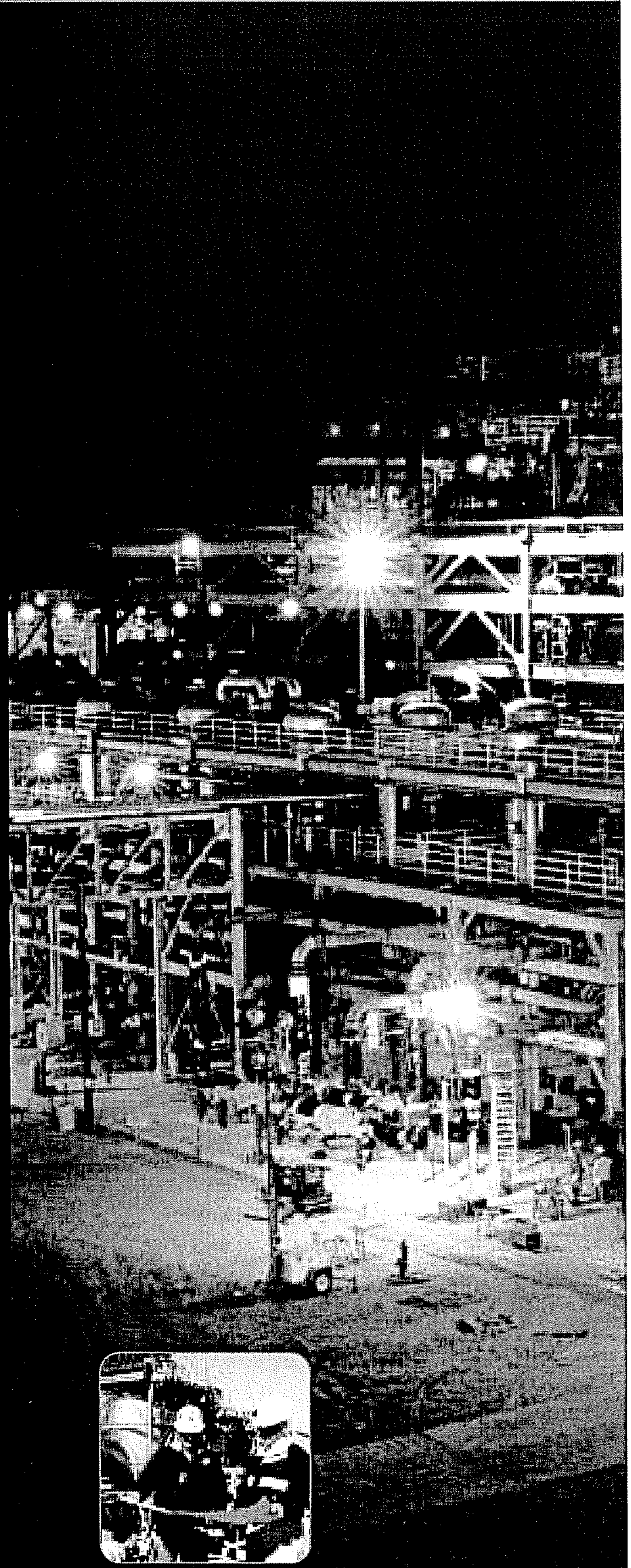
**QAL** | *pictured left* |
One of the largest and lowest-cost alumina refineries in the world, the 28.3%-owned QAL facility reported record production in 2000.

**Alpart** | *pictured below* |
Improved powerhouse reliability at the 65%-owned Alpart refinery has better positioned this facility for potential expansion to 2.0 million metric tonnes of annual rated capacity.

### Resolving Issues and Responding to Change

We successfully addressed four major challenges during the year.

- We successfully negotiated a five-year labor agreement with the United Steelworkers of America (USWA) for five of our largest U.S. plants. The new agreement has enabled sweeping labor productivity improvements. A 19% reduction in the number of hourly jobs combined with significant increased flexibility in the use of outside contractors will enable labor costs at these plants in 2005 to roughly equal actual costs experienced in 1998. I commend the management of the five plants for their efforts in working with temporary employees to set a number of new operating performance records during this USWA-initiated dispute.
- We partially restarted the Gramercy, Louisiana, alumina refinery in December 2000 after completing the initial phase of construction faster than expected by anyone in the industry. Clearly, there is additional work to be done here in 2001, but the restart itself was a significant milestone.
- Recognizing the opportunity provided by skyrocketing energy prices in western North America, the company aggressively curtailed smelting capacity in the Pacific Northwest, executed power sales amounting to $208 million, and received those proceeds in 2000 and early 2001. During the first quarter of 2001, we sold the majority of our remaining Northwest power for an additional $260 million.
- As part of our corporate drive to dramatically improve our return on invested capital, we generated more than $67 million from the sale of non-core assets such as the research and development/administrative complex in Pleasanton, California. In addition, we slashed the company's working capital almost in half, primarily in conjunction with a $90 million reduction of inventory in our Flat-Rolled Products business. This inventory reduction was related to major efficiency efforts and a product-line exit.



**Gramercy | After being offline for more than a year, the Gramercy, Louisiana, alumina refinery returned to partial operation in December of 2000 with a design that incorporates a 16% increase in rated capacity and improved safety and efficiency processes.**